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guiding children in money matters

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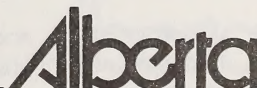
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GUIDING CHILDREN IN MONEY MATTERS

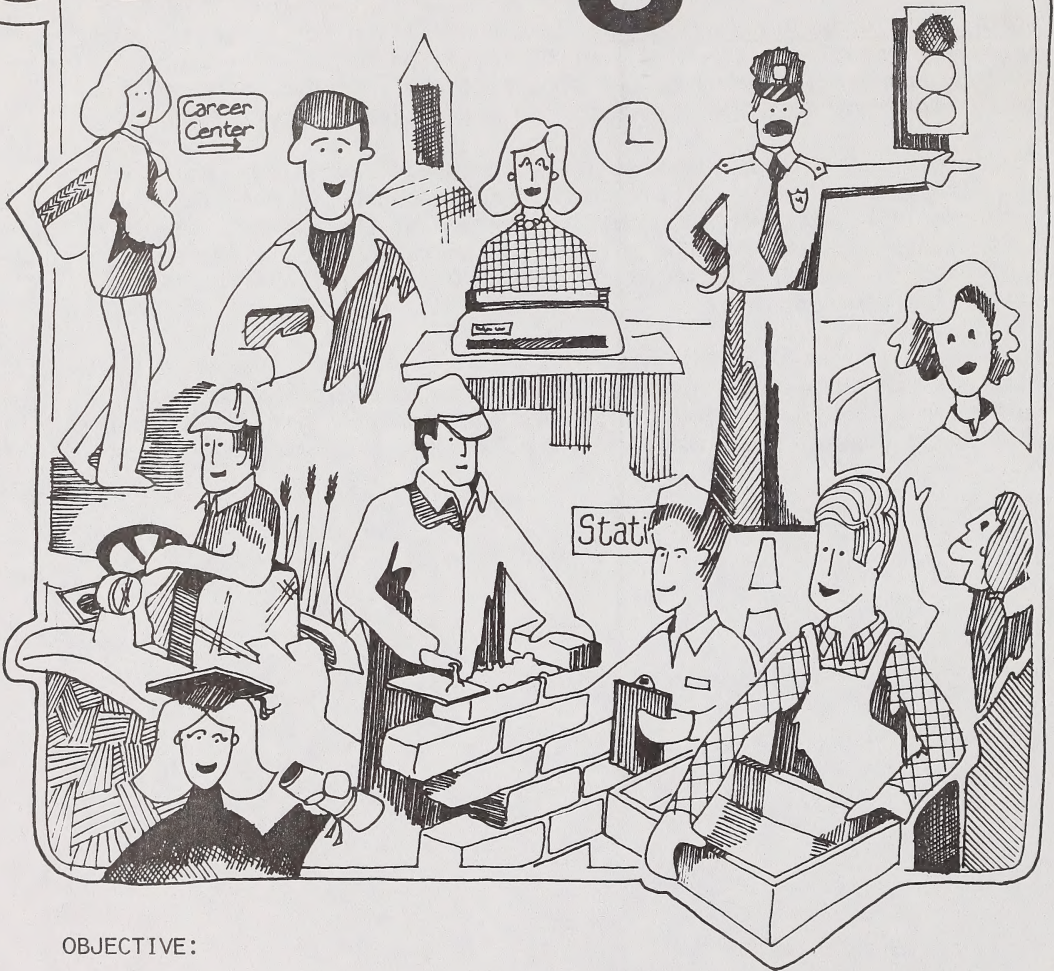
Guiding Children in Money Matters is a publication for parents. Many ideas for creatively teaching your children the basics of earning, saving, spending, borrowing, and budgeting are included. Choose the activities that suit the interests and motivation of your children.

The purpose of this publication is to encourage you to do something now with your children to help them learn what they'll need to know later in life. You won't be able to stand over their shoulders in a few years to give them the answers to their problems. They need your help in learning to think for themselves and in learning to make satisfying decisions.

Telling children what to do with money is not enough. They need to find out for themselves through guided experiences in the marketplace. With your help, they will develop the confidence and the ability to cope with earning, spending, saving, borrowing and budgeting.

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earning



OBJECTIVE:

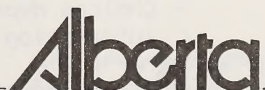
Growth in the child's understanding of the skills and responsibilities required of different workers.

The basic concepts of earning are:

- The money a person can earn depends on the skills offered.
- A person can increase skills through education and experience.
- Job hunting and career planning require self-analysis and decision making.
- Taking a job involves assuming responsibilities as an employee and as a citizen.

HOME ACTIVITY SUGGESTIONS

- Show pre-school children where you work. Organize a family visiting time once a year at your place of work. Spouses and children can drop in for a short visit to see what you do.
- Point out workers when taking children on outings. Show them that all sorts of activities are work. Explain that people work to make money so that they can buy the things they need and want.
- Discuss story books with your children that illustrate work activities. Ask them if they would like to do that job. Mention that some day they will grow up and work too.
- Give your children hats and clothing to play pretend games: fire-fighter, farmer, teacher, nurse, doctor, artist, law enforcement officer.
- Encourage children to accompany you when doing volunteer work. Let them see that you do things or work for others for the good of the community and for the personal experience.
- Teach your children to do small jobs: put toys away, tidy their rooms, feed a pet, plant garden seeds, transplant a plant, put cookies on a pan. Assign regular chores as their responsibility as family members.
- Help your children begin to develop confidence in their own ability to do things. Praise them for tasks well done. Teach them skills such as swimming, skating, and group games.



spending



OBJECTIVE:

Development of children's understanding of the skills and responsibilities in decision making required of them as consumers.

The basic concepts of spending are:

- Spending involves making choices.
- Choices depend partly on personal values and partly on information and skills related to buying.
- Choices are limited to one's financial resources.
- Impulse buying may lead to unfortunate consequences.

HOME ACTIVITY SUGGESTIONS

Decision-making is the key activity in learning to buy anything. Help your children develop their own ability to make decisions. When possible let them make decisions at home. For example: Do you want apple or orange juice? Do you want to wear your red or your blue sweater?

Have children take turns deciding where each family member should sit at mealtime or have each child take a turn deciding who shall sit where in a car.

Try to involve your children in decision making when shopping. Let them choose the color of a T-shirt or the color of new socks.

Shopping

- Children learn by example from parents. Do your shopping habits include having a list, comparing prices, reading labels, spending within a budgeted amount and handling complaints for unsatisfactory purchases?
- Encourage your child to compare toys before deciding which one to buy.
- Let your children buy items they've chosen, even though you feel they're not a wise choice. Let them learn through experience the difference between good and bad buys. Avoid the "I told you so" routine after they've made a poor purchase. This tends to undermine their confidence and shows that you don't feel they could learn from their own mistakes. A \$10.00 mistake now is better than a \$1000.00 one later on.
- Children often have difficulty with impulse buying. On expensive items they may exercise a certain amount of caution, but they have a tendency to throw money away. Try to help them set priorities on what they really want to buy. Allow them a certain amount for casual spending, but help them learn to direct their spending toward the purchase of items they'll really enjoy.
- Let your children learn through their allowance that once their money is spent, there isn't any more.

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Shopping (cont'd)

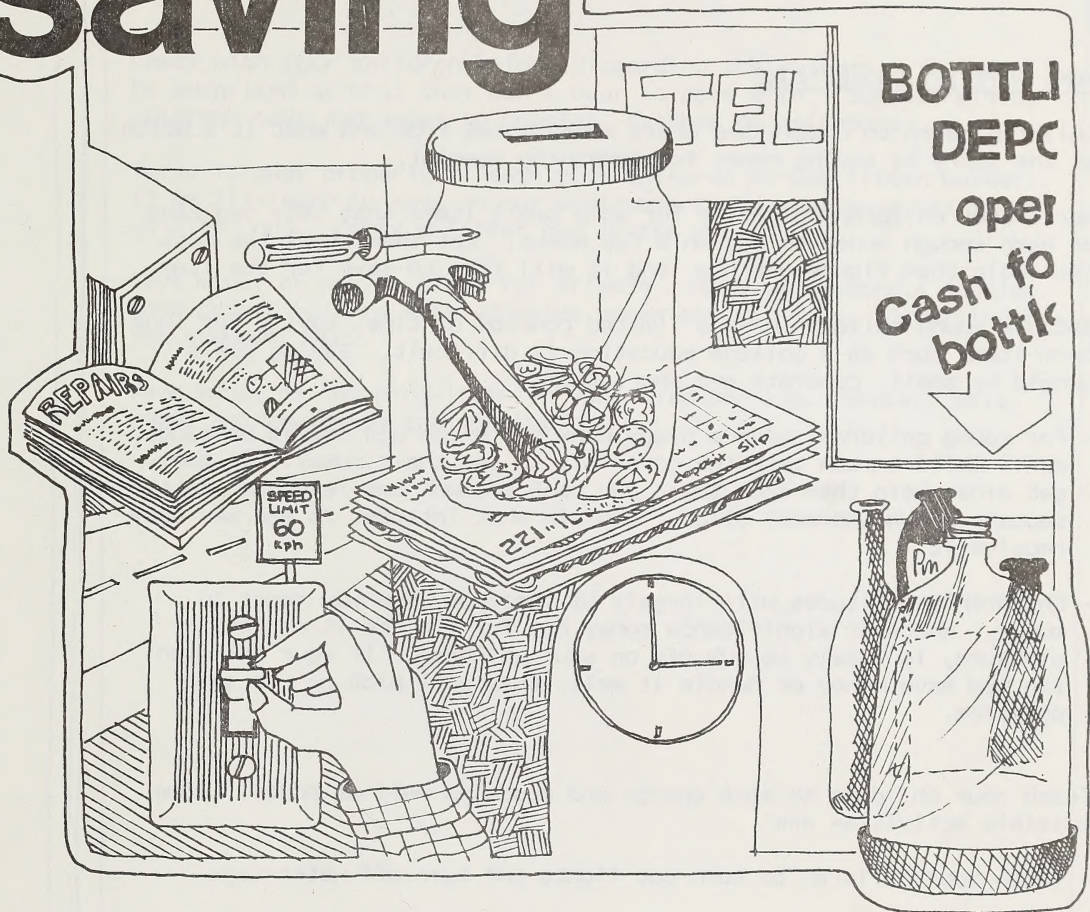
- To give a young child a feel for money, make a point of letting your child hand over cash for an item.
- Next time you're shopping, give your children some change and let them make their own purchase: a piece of fruit, a note pad, or a cookie at the bakery. If they pick something too expensive, have them choose again.

Spending Time

- Preschoolers do not understand our concept of time, but they may be interested in some of our measures of time:
 - A photo album with pictures of them from babyhood until now.
 - A wall marker showing their growth each year.
- Ask a child (three to four years) these questions just for fun. You may be surprised at the answers. Is your mom older or younger than you? Was she born before or after you? Who came first, you or your mom? Do you always stay the same age, or do you grow older? How about your mom, does she always stay the same age or does she grow older?



saving



OBJECTIVE:

Development of children's understanding of their alternatives of using or preserving money and other resources.

The basic concepts of saving are:

- Saving is deferred satisfaction. It is postponing the use of money or things now in the expectation that their use in the future will be more beneficial or satisfying.
- Saving is also economical or non-wasteful use of money and resources in the present.
- Saving may be represented in time, energy and goods as well as in money.
- Saving is most likely to be productive when it is a process involving clear planning toward future goals.

HOME ACTIVITY SUGGESTIONS

Children learn to understand where money comes from and what it's worth at the store by saving money for something special.

Start your children on saving for some small items that they can save or earn enough money to buy in a few weeks. Let them check the cost then help them figure out how long it will take to save for the item.

Because young children have a limited concept of time, saving for long term items such as a college education is difficult. Saving goals should be small, concrete and short term.

- For young children, make a piggy bank out of an old coffee or candy can. Children can take the cover off to see their money. As they get older help them open their own bank account and learn to use the deposit and withdrawal slips. Explain what interest is and why they receive it.
- Children's attitudes will largely be shaped by how you react to money. Whatever significance money has for you, be it anxiety or pleasure, is likely to rub off on your children. If your children see you save money or handle it well, they will pick up the same practice.

Teach your children to save energy and goods as well as money. Some possible activities are:

- Teach your children to turn out lights and turn off water taps.
- Take toys back into the house after playing. Save them from rain, snow and loss.
- Have a save-it and fix-it session with your children. Fix toys, broken zippers, replace broken shoe laces, etc.
- Save old clothes for dress up and costumes or for making sock puppets or scarecrows.
- Save pop bottles, pop cans and other items. Return them later for money.

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- Check with your children before discarding their items. You may be surprised at what they can't bear to part with. Suggest giving outgrown toys and games to cousins, friends or neighbors.
- Throw it away properly. Teach your children to use litter baskets. If we all learn to save on our environment, we will save tax money on clean ups. Carry a litter bag in the car.
- Save money by making gifts for friends. Make and decorate cookies. Make pencil holders with adhesive paper and tin cans. Draw pictures for grandma, etc.
- Save money by swapping items in your neighborhood. Skates, skis, games and toy swaps are popular.

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A satirical cartoon illustration of a library. In the background, a man mows a lawn while another man looks on. A speech bubble from the mower says "I week?". A sign on the lawn reads "LOAN interest rate 13%". A sign on a fence reads "WE RENT MOST EVERYTHING". A hand holds a card that says "YOU" and "Mr. ...". In the foreground, a large book titled "ANNUAL" is shown with a "LIBRARY" card on top. The card has columns for "DUE DATE" and "NAME". An arrow labeled "returns" points to the book. The book's spine is labeled "SMITH" and "DESIGN".

Development of children's understanding of both the benefits and the costs of using the resources of others.

- Borrowing involves the assumption of a pledge to return.
- Borrowing practices vary with individual attitudes and values.
- Buying on credit is one type of formalized borrowing.
- A person's borrowing capacity is limited by his ability to repay and by his reputation for repaying.
- Risks and consequences are involved for both borrower and lender.
- Indiscriminate borrowing may lead to unfortunate consequences.

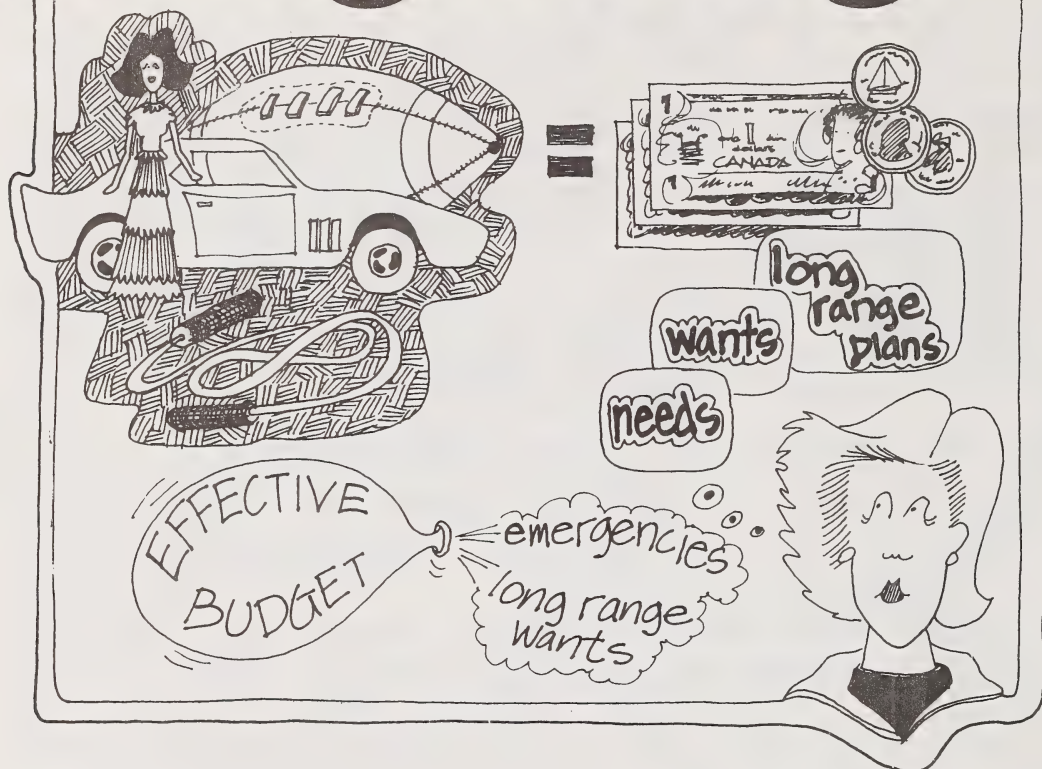
HOME ACTIVITY SUGGESTIONS

When children borrow items, they should care for the items and return them in good condition. When they lend they also learn to trust that they will get the item back and in good condition. Through these transactions, children learn that their capacity to borrow is limited by their ability to return, and by their reputation for returning.

- Take your children to the local library and have them borrow story books. When it's time to return them, take time to explain how the borrowing system works.
- Many young children borrow their mom's kitchen tools -- everything from flour sifters to donut cutters -- to play in the sand and make mudpies. Have your children asked to borrow these items? Do they understand and respect others' belongings?
- The other side of borrowing is lending, which implies ownership. With small children, if possible, try to avoid joint ownership of toys. They need to learn the feeling of being individual and important. You may be called upon many times to clarify ownership disputes. Do you notice what possessions are especially dear to your children?
- Older children who have their own allowance may need to borrow money from you for large purchases. Discuss the financial arrangements for repayment with your child and stick with them. If you always cancel the debt, they will not be learning about borrowing, about obligations to repay, or about how to live within their capacity or allowance. Your children will be better prepared to handle formal borrowing from a bank if they've had practice with you.
- Children learn from your actions. Do they see you return items to a neighbor?
- Parents are often embarrassed by their children taking things in a store and not discovering the item until later. Does your child understand what's his and what belongs to others? Does your child understand the consequences of stealing or shoplifting? How do you handle these problems?



budgeting



OBJECTIVE:

Development of children's understanding of the variable and interrelated conditions that must be taken into account in good money management.

The basic concepts of budgeting are:

- A realistic budget is the beginning of effective money management.
- A workable budget depends on the needs, wants and long-range plans of the individuals developing it, rather than on calculations averaged over large population samples.
- An effective budget should expand, not constrict, a person's opportunities to meet financial emergencies and to fulfill long-range wants.
- The definition of what is needed and what is wanted may be different from person to person and may be different for the same person at different times.
- The basic conditions of budgeting may change drastically at certain typical stages in a person's life.

LEARNING WITH ALLOWANCES

Teaching children the value of a dollar is one of the most challenging tasks facing parents. Most child development specialists believe that allowances teach children to make their own decisions. An allowance teaches them that once their decisions are made and their money is spent, there isn't anymore.

Once you've decided to give your children an allowance, you're faced with the question, how much? That depends on their age, their level of responsibility, and the expenses you expect the allowance to cover.

Start by sitting down with your children and estimating their expenses. Set an allowance based on these estimates and give it on a weekly basis. Help your children keep a record of expenses during the next few weeks. Then sit down together again and decide if the allowance needs adjustment. This approach will teach your children to be comfortable about discussing money. It's the beginning of budgeting.

Make it clear whether or not you will provide money for special items. Plan to review the allowance on a regular basis. Whatever amount you decide on, make sure there's room for a little discretionary spending. An allowance that doesn't allow your children to make any decisions on their own is self-defeating. You and your children should agree on what activities and purchases are harmful or inconsistent with your values, but beyond that, stand back and let your children make decisions, even though they may seem foolish or frivolous. Children have to learn from their own mistakes. A small painful lesson on buying junk is better now than later.

Tying the allowance to chores or grades defeats the purpose. Children should be expected to make their beds, wash the dishes, take out the garbage or assume other household chores because, as members of a family, they have certain responsibilities, not because they are going to get paid.

The most appropriate reward for getting good grades is self satisfaction on your child's part and approval on yours. Paying for good marks or any other kind of good behavior counts as merely a bribe.

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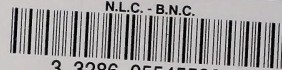
Learning With Allowances (cont'd)

The trouble with taking away an allowance is that this punishment usually never fits the crime. Docking your son \$2.00 for talking back doesn't tell him what's wrong with the behavior and defeats the purpose of the allowance. When money is used as punishment, bribe or reward, it's given an emotional and moral significance it doesn't deserve.

We all need to know how to manage finances for ourselves. As your children learn to manage money, they'll also be learning to make decisions, to understand the consequences of their actions and to weather some tough times and painful mistakes.

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